

## ENCLOSURE 2



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THE WALL STREET JOURNAL  
INTERACTIVE EDITIONMajor Business News**Reliance Group Holdings to Be Sold  
To Leucadia National for \$359 Million****By DEBORAH LOHSE**

Staff Reporter of THE WALL STREET JOURNAL

In a move signaling the end of an era for financier Saul Steinberg, Reliance Group Holdings Inc. is to be sold for \$359 million to Leucadia National Corp.

Leucadia, based in New York, signed an agreement to pay Reliance shareholders 0.11059346 share of Leucadia stock for each Reliance share. That is about \$2.87 a share, based on Friday's 4 p.m. price, or a little more than one-fourth of the recent book value of the property-casualty insurer.

The price is far off the approximately \$19 that Reliance stock fetched in 1998, before industry competition forced already-soft prices to weaken further, and the highly leveraged Reliance disillusioned investors with a series of earnings charges to boost reserves for previously underpriced policies.

Leucadia rose \$2.875 to \$25.9375 and Reliance rose 18.75 cents to \$2.5625 Friday, both in 4 p.m. New York Stock Exchange composite trading.

Though Reliance said it hoped the deal would close by year end, several analysts cautioned that Leucadia hasn't yet thoroughly reviewed Reliance's books and could back out. Meanwhile, if a higher bidder materializes, Leucadia would receive a \$12.5 million breakup fee.

The sale is an anticlimactic finish to the insurance career of Saul Steinberg, 60 years old, a colorful New Yorker who until very recently wasn't shy about maintaining a lavish paycheck and lifestyle amid Reliance's woes. However, of late, he has sold his Park Avenue, New York, apartment and is selling part of his multimillion-dollar art collection. A Reliance spokesman said Mr. Steinberg wasn't available for comment.

As a young man, Mr. Steinberg made an ambitious but failed attempt to take over Chemical Bank Corp. After suffering a stroke in 1995, he reduced his hours and role at Reliance sharply.

Leucadia is run by two low-profile former Harvard Business School classmates, President Joseph Steinberg -- who is unrelated to Saul Steinberg -- and Ian Cumming, chairman. Like Saul Steinberg, the financiers saw potential in the insurance industry, buying up distressed properties and either slashing costs and reselling them or incorporating them into other operations. Over the past two years, Leucadia bought back about 11% of its own stock, and it paid out \$13.58 per share in dividends to shareholders last year.

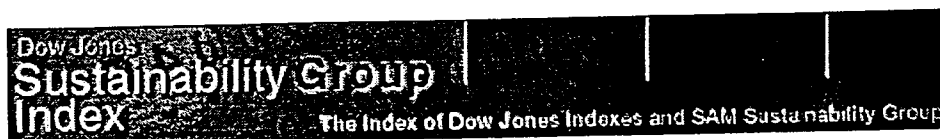
If the deal is finalized, Reliance shareholders, including Saul Steinberg and his family, with a combined 43% stake in Reliance, would own 20% of Leucadia.

Some analysts said Mr. Steinberg is pulling off a pretty good deal by getting paid in Leucadia's stock. While his wealth has been diminished considerably by the plunge in Reliance shares, the Leucadia stock will be "a real asset, tax free," said David Schiff, editor of Schiff's Insurance Observer.

Analysts said Reliance's below-book-value sales price reflects the continued concern about reserve adequacy. "We weren't convinced that their problems were behind them," said Alison Jacobowitz, a Merrill Lynch & Co. analyst.

Write to Deborah Lohse at [deborah.lohse@wsj.com](mailto:deborah.lohse@wsj.com)

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